

One Approach to Nursing Facility Case Mix Reimbursement

**Report to the Michigan Medicaid
Long Term Care Task Force
(December 13, 2004)**

Michigan Department of Community Health
Medical Services Administration
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Case Mix Reimbursement

- Resource Utilization Groups (RUGs-III)
- 44 RUGs codes
- Based on Resident Assessment Instrument (RAI)
 - Includes Minimum Data Set (MDS) -- a core set of screening and assessment elements that forms the foundation of comprehensive assessments of all nursing facility clients

Case Mix Reimbursement (cont'd.)

- Based on a patient assessment tool, the Minimum Data Set (MDS)
- MDS administered:
 - Within 14 days of admission
 - Upon change of health status, and
 - Annually
- Medicare RUGs-III code per diem rates are based on nursing staff time measurement studies conducted by CMS

Case Mix Reimbursement (cont'd.)

- Currently used by Medicare for nursing facility reimbursement
- System or variations currently used by 26 states for Medicaid nursing facility reimbursement
- MDS data collected for MIChoice Waiver clients also
- A RUGs-type reimbursement system is theoretically possible for the waiver but some technical problems have to be solved
- Other case mix reimbursement structures are possible

Why do Case Mix Reimbursement?

- Nursing facilities currently get the same per diem for all their Medicaid patients
- Financial incentive to keep low acuity patients in the facility
- Financial incentive to avoid admitting high acuity patients
- A proper case mix system would eliminate both those incentives

What are the Problems with Case Mix Reimbursement?

- Nursing facilities may hesitate to go to a lower RUGs code when patients improve
- This would be a major change in the way an entire industry operates in this state
- Accomplishing this in a budget-neutral way is possible but will be a technical challenge
- A several year phase-in period may be desirable to dampen adverse impacts on some providers and minimize windfalls for others

RUGS III Code Categories

- Rehabilitation
- Extensive Services
- Special Care
- Clinically Complex
- Impaired Cognition
- Behavior Only
- Physical Function Reduced

Rehabilitation Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Rehabilitation	RUC	Ultra High	16-18	\$492
Rehabilitation	RUB	Ultra High	9-15	\$445
Rehabilitation	RUA	Ultra High	4-8	\$422
Rehabilitation	RVC	Very High	16-18	\$377
Rehabilitation	RVB	Very High	9-15	\$365
Rehabilitation	RVA	Very High	4-8	\$334
Rehabilitation	RHC	High	13-18	\$344
Rehabilitation	RHB	High	8-12	\$317
Rehabilitation	RHA	High	4-7	\$291
Rehabilitation	RMC	Medium	15-18	\$337
Rehabilitation	RMB	Medium	8-14	\$302
Rehabilitation	RMA	Medium	4-7	\$284
Rehabilitation	RLB	Low	14-18	\$268
Rehabilitation	RLA	Low	4-13	\$226

Extensive Services Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Extensive Services	SE3	IV Feeding or Meds, Suctioning, Tracheostomy Care, Vent/Respirator	7-18	\$354
Extensive Services	SE2	See above	7-18	\$306
Extensive Services	SE1	See above	7-18	\$273

Special Care Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Special Care	SSC	MS, Quadriplegia, Cerebral Palsy, Respiratory Therapy, Pressure Ulcers, Radiation Therapy, Surgical Wounds and Treatment, Open Lesions, Tube Feeding and Aphasia, Fever with Dehydration, Fever with Tube Feeding	17-18	\$267
Special Care	SSB	See above	15-16	\$255
Special Care	SSA	See above	7-14	\$249

Clinically Complex Codes

				Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Category	Code	Other Description	ADL Index	
Clinically Complex	CC2	Burns, Coma, Septicemia, Pneumonia, Foot/Wounds, Internal Bleed, Dialysis, Tube Feeding, Dehydration, Oxygen Therapy, Transfusions, Hemiplegia, Chemotherapy, Diabetes, Frequent Physician Visits	17-18D	\$265
Clinically Complex	CC1	See above	17-18	\$246
Clinically Complex	CB2	See above	12-16D	\$233
Clinically Complex	CB1	See above	12-16	\$223
Clinically Complex	CA2	See above	4-11D	\$221
Clinically Complex	CA1	See above	4-11	\$209

Impaired Cognition Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Impaired Cognition	IB2	Score on MDS 2.0 Cognitive Performance Scale ≥ 3	6-10	\$167
Impaired Cognition	IB1	See above	6-10	\$164
Impaired Cognition	IA2	See above	4-5	\$151
Impaired Cognition	IA1	See above	4-5	\$146

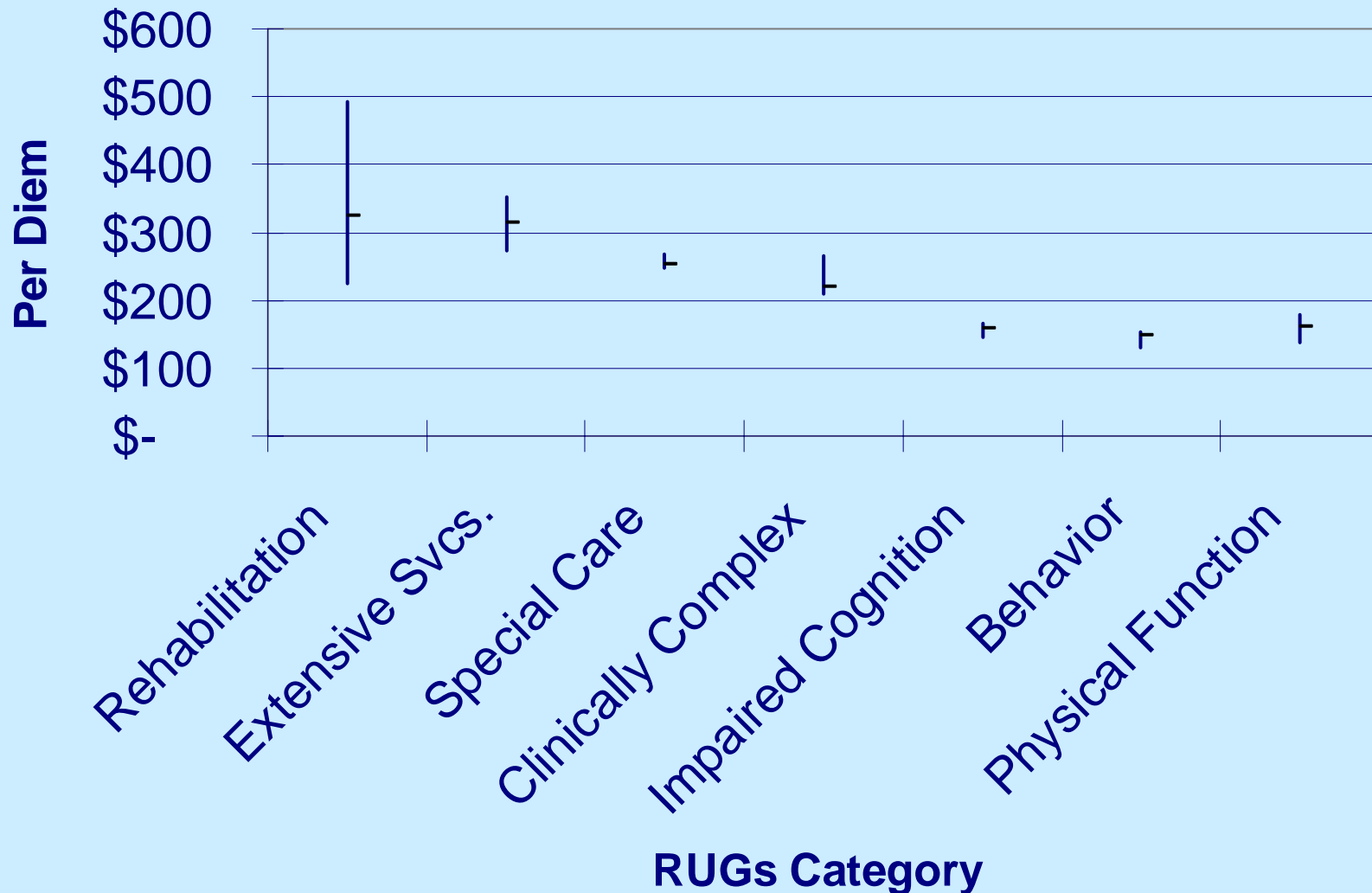
Behavior Only Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Behavior Only	BB2	Wandering, Physical or Verbal Abuse, Inappropriate Behavior, Resists Care, Hallucinations, Delusions	6-10	\$165
Behavior Only	BB1	See above	6-10	\$162
Behavior Only	BA2	See above	4-5	\$150
Behavior Only	BA1	See above	4-5	\$140

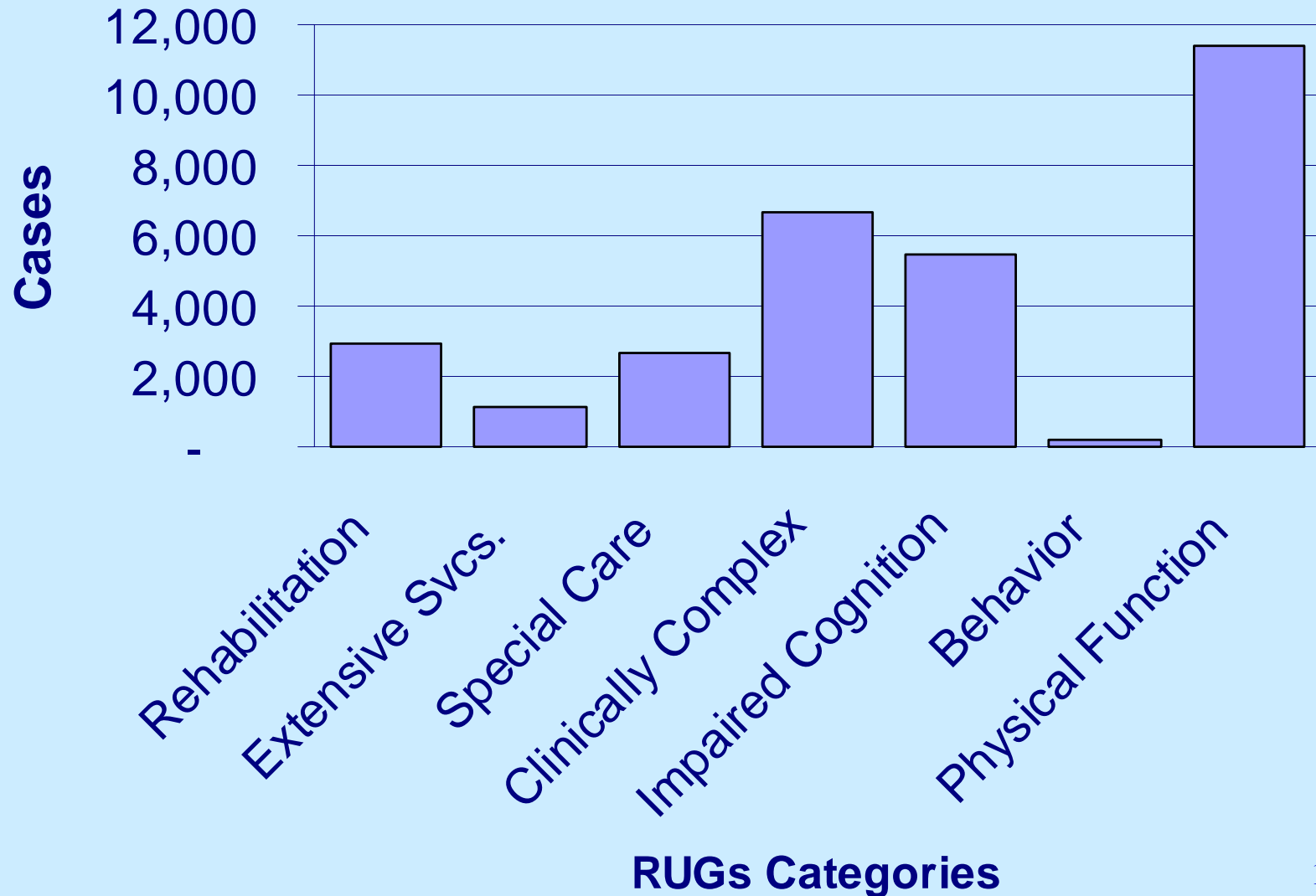
Physical Function Reduced Codes

Category	Code	Other Description	ADL Index	Approximate Michigan Medicare Per Diem Reimbursement Fiscal Year 2005
Physical Function Reduced	PE2	Nursing Rehabilitation	16-18	\$179
Physical Function Reduced	PE1	No Nursing Rehabilitation	16-18	\$177
Physical Function Reduced	PD2	Nursing Rehabilitation	11-15	\$170
Physical Function Reduced	PD1	No Nursing Rehabilitation	11-15	\$168
Physical Function Reduced	PC2	Nursing Rehabilitation	9-10	\$162
Physical Function Reduced	PC1	No Nursing Rehabilitation	9-10	\$160
Physical Function Reduced	PB2	Nursing Rehabilitation	6-8	\$144
Physical Function Reduced	PB1	No Nursing Rehabilitation	6-8	\$143
Physical Function Reduced	PA2	Nursing Rehabilitation	4-5	\$141
Physical Function Reduced	PA1	No Nursing Rehabilitation	4-5	\$138

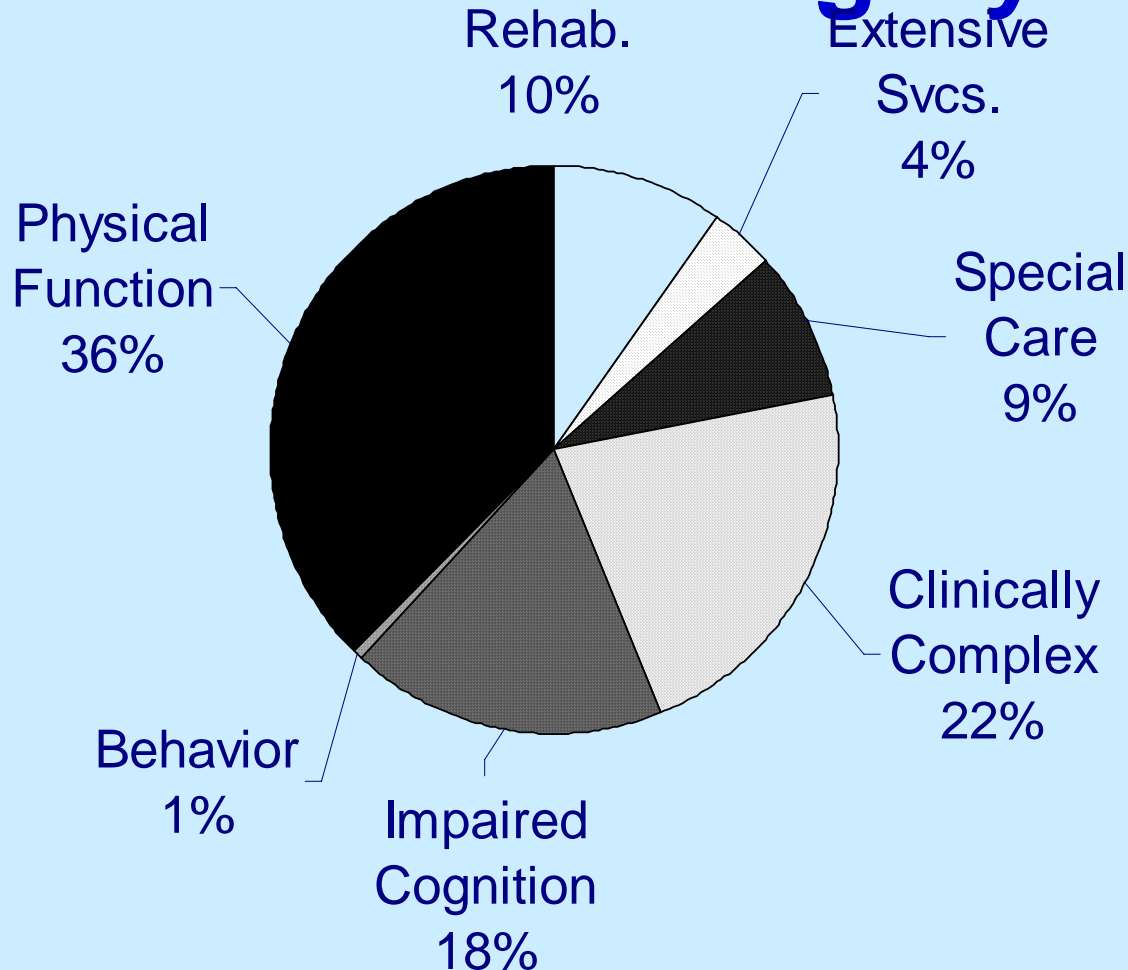
RUGs Category Reimbursement FY2005 Michigan Medicare



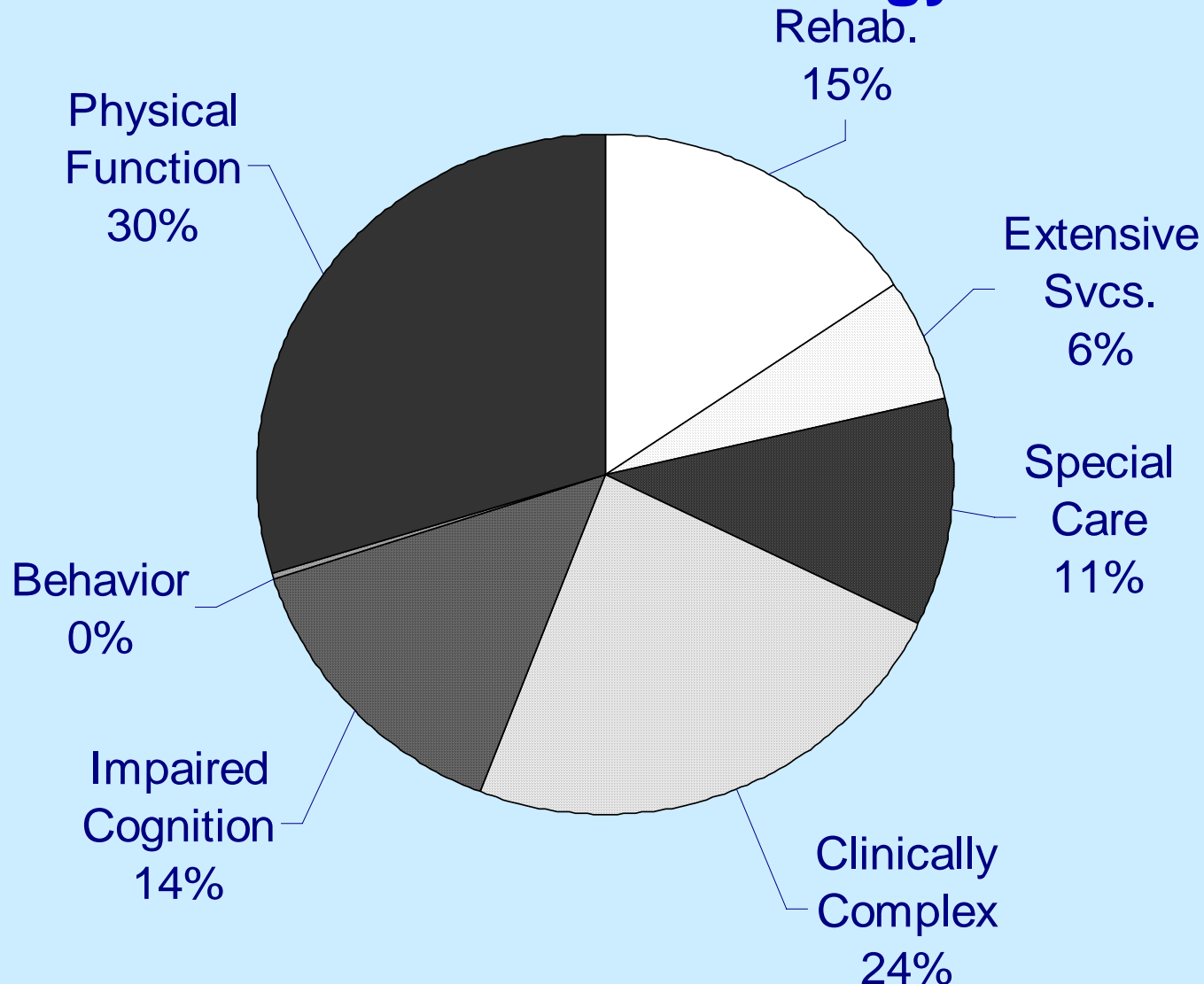
Medicaid FY 2002 Nursing Facility Patients by RUGs III Category



Michigan Medicaid FY 2002 Nursing Facility Patients by RUGs III Category



Distribution of Dollars for FY 2002 Michigan Medicaid Patients if RUGs III Medicare Methodology Were Used



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